

How the Estimates in this Analysis Compare to Those in Analyses Issued by the Concord Coalition and the Senate Budget Committee Majority Staff

The estimates in this analysis — that the Bush and Gore plans would cost \$1.9 trillion and \$1.4 trillion, respectively, over the next 10 years — are essentially identical to those in an analysis the Concord Coalition issued October 11. (The CBPP and Concord analyses each note that these estimates reflect ambitious savings that the Bush budget assumes can be achieved in discretionary spending and that the Gore budget proposes in certain mandatory programs and taxes. The Bush and Gore budgets would each cost several hundred billion dollars more if these savings cannot be achieved.)

The Senate Budget Committee Republican staff has issued an analysis of the cost of the Gore budget that greatly exceeds the CBPP and Concord estimates. The principle presentation in the Budget Committee documents describes the Gore non-Social Security proposals as totaling \$3.4 trillion to \$4.3 trillion over the next 10 years, of which \$2.6 trillion to \$3.4 trillion constitutes new spending. The Budget Committee analysis is marred by several serious flaws, however, which inflate the cost estimate assigned to the Gore plan. The Budget Committee majority staff has not issued an analysis of the cost of the Bush plan.

- The Budget Committee counts, as a cost of the Gore plan, \$1.2 trillion in discretionary spending (and related interest costs) that simply reflect costs of maintaining current policy and are normally considered part of the budget "baseline." The Budget Committee's principal presentation of the cost of the Gore plan employs the assumption that all discretionary spending will be frozen for 10 years, with no adjustment even for inflation. It then classifies the cost of keeping discretionary spending even with inflation, rather than freezing it, as a \$1.2 trillion Gore spending increase. This is not consistent with normal practice. The standard budget baseline used for most of the past quarter-century — and the one that both the Bush and Gore campaigns use — reflects the cost of adjusting the current level of discretionary spending for inflation as part of the cost of maintaining current policy. (Freezing funding for discretionary programs for 10 years, as opposed to keeping such funding even with inflation, does not maintain current policy because it requires reductions in the level of services provided.)

It should be noted that under the approach the Budget Committee document uses, the \$1.2 trillion in new spending costs would have to be applied to the Bush budget as well if a parallel cost estimate on that budget were prepared. Furthermore, this approach assumes that the non-Social Security surplus totals \$3.35 trillion over the next 10 years and that the total surplus (including Social Security) equals \$5.7 trillion, figures far above those that virtually all analysts use and that the Bush and Gore campaigns use when presenting their own budgets.

- The Budget Committee also counts, as a cost of the Gore plan, \$459 billion that the Gore budget would place off limits for spending or tax plans and would devote to paying down debt. The \$459 billion are the funds the Gore budget would place in a Medicare "lockbox." Under longstanding CBO and OMB rules — with which virtually all fiscal analysts and economists concur — none of this \$459 billion constitutes net government spending, as is evidenced by the fact that all of these funds would be used to pay down debt, something that cannot be done with resources that are expended. Although in some places, the Senate Budget Committee document does not count this \$459 billion as "spending," it includes the \$459 billion as part of the Gore plan's total cost and uses this \$459 billion in claiming that the Gore budget "overspends" the non-Social Security surplus.
- The Budget Committee document shows a cost of up to \$750 billion for the Gore retirement saving account proposal. The Gore budget, however, proposes to spend \$200 billion on this proposal. (The Budget Committee shows a cost range of \$200 billion to \$750 billion for this proposal. Attacks on the Gore budget have used the \$750 billion figure in the Budget Committee document.) The Budget Committee's treatment of this issue is problematic. In generating the \$750 billion cost estimate, the Budget Committee document takes the 10th year cost of the proposal and multiplies it by 10. This inflates the proposal's cost over the next 10 years because under the Gore budget, the proposal would be phased in over this 10-year period. If the same approach — of taking the tenth year cost and multiplying it by 10 — were applied, for example, to Governor Bush's tax cut, using the Bush campaign's own figures on the tax cut's year-by-year cost, the tax cut would be said to cost \$2.3 trillion over 10 years rather than \$1.3 trillion. In addition, the participation rate the Budget Committee document uses (in generating the \$750 billion figure) for the proportion of low-income workers assumed to contribute to these retirement savings accounts is significantly higher than the participation rate by such workers in employer-sponsored pension plans that provide matching contributions.